P.I.P.E.R.

Continued from page 17

Ohio Citizens Trust	13.9
Confederation Life, Ont	13.9
Texas Commerce	13.8
First Wi. Natl, Madison	13.8
State Street Bank, Ma	13.7
Fifth Third Bank, Oh	13.6
Pittsburgh Natl (QMS)	13.5
Union Commerce, Oh	13.5
Riggs of Washington	13.5
Puget Sound Natl, Wa	13.4
Landmark Union Trust, Fl	13.4
Sentry Life, Wi	13.4
Southeast Bank, Fl	13.4
Northern Trust, Il	13.3
Long Island Trust, NY	13.3
Fourth Natl, Tulsa, Ok	13.0
First City Natl, Houston, Tx	13.0
Trust Co of Georgia	13.0
Natl City Cleveland, Oh	13.0
Liberty Natl, Ok	13.0
Mercantile Safe, Md	12.9
Standard & Poor's 500	**9.1**

5-year returns

	%
Philadelphia Life, Pa	23.4
Citizens Chillicothe, Mo	23.3
First of Denver, Co	20.3
Bessemer Trust, NY	19.9
Natl of Commerce, Ne	19.7
Home Life, NY	18.5
US Natl of Oregon	17.5
First of Oklahoma	17.3
First Wi. Natl, Madison	17.2
Equitable Life (No. 4)	17.0
Confederation Life, Ont	16.8
Capital Bank, Houston, Tx	16.8
First of Fort Worth, Tx	16.3
First Trust Corp, Co	16.2
Guardian Insurance, NY	16.2
Mercantile at Dallas, Tx	16.0
Phoenix Mutual, Ct	15.7
US Natl of Galveston, Tx	15.7
First Natl of Commerce, La	15.6
Sentry Life, Wi	15.5
Texas Commerce	15.4
Girard Bank, Pa	15.3
Philadelphia Natl, Pa	15.2
First Interstate of Wa	14.9
Marine Trust, Wi	14.8
First Union Bank, NC	14.6
United of Denver, Co	14.5
Fifth Third Bank, Oh	14.5
American Natl Chic. (Active)	14.5
Commonwealth Natl, Pa	14.4
Natl City Cleveland, Oh	14.4
Seattle 1st Natl, Wa	14.4
Texas American Bank	14.3
Connecticut General	14.2
Continental Bank, Pa	14.2
Massachusetts Mutual	14.2
Wheeling Dollar Bank, WV	14.2
Hamilton Bank, Pa	14.1
Provident National, Pa	14.0
United Virginia Bank	13.8
Genesee Merchants, Mi	13.7
Nationwide Life Ins, Oh	13.7
Rainier National, Wa	13.7
First City Natl, Houston, Tx	13.7
Landmark Union Trust, Fl	13.7
Liberty Natl, Ok	13.6
First of Birmingham, Al	13.6
Manufacturers Detroit, Mi	13.6
Pittsburgh Natl (QMS)	13.5
First Natl, Lincoln, Ne	13.5
New England Mutual, Ma	13.5
Moline National, Il	13.4
Central Fid, Richmond, Va	13.4
Life of Virginia	13.4
Bankers Life, Ia	13.3
Crown Life, Ont	13.3
Olympic Bank, Wa	13.2
Long Island Trust, NY	13.1
First Tennessee, Chat	13.1
Manufacturers Hanover, NY	12.8
Security Tr, Rochester, NY	12.7
Chemical Bank, NY	12.7
Bank One Trust, Oh	12.7
Southeast Bank, Fl	12.7
Standard & Poor's 500	**10.4**

10-year returns

	%
Guardian Insurance, NY	13.0
Philadelphia Life, Pa	12.3
Bessemer Trust, NY	11.7
US Natl of Galveston, Tx	11.6
First Variable Life, Ar	11.6
First Wi. Natl, Madison	11.5
Capital Bank, Houston, Tx	11.0
Citizens Chillicothe, Mo	10.6
Home Life, NY	10.0
First Trust Corp, Co	9.9
First of Birmingham, Al	9.9
Confederation Life, Ont	9.9
US Natl of Oregon	9.7
Bankers Life, Ia	9.3
Hibernia National, La	9.3

Top equity funds by size

1-year returns

Over $100 million

	%
Mercantile at Dallas	20.5
Massachusetts Mutual	18.1
Natl City, Cleveland, Oh	14.4
Metropolitan Life, NY	12.3
InterFirst Invt Mgmt, Tx	12.1
Chemical Bank, NY	11.3
Harris Trust, Il	11.0
Citibank, NY	10.6
Connecticut General	9.9
Northwestern Natl, Mn	9.5

$50 million to $100 million

	%
Mutual Benefit, NJ	19.1
Bessemer Trust, NY	18.3
US Natl of Oregon	16.5
Trust Co of Georgia	14.2
AmeriTrust, Oh	13.9
Continental Illinois	13.5
Chase Manhattan, NY	12.8
Provident National, Pa	12.7
First Penn. Bank	12.5
Occidental, Ca	12.0

$10 million to $50 million

	%
First of Oklahoma	32.7
Security Pacific, Ca	28.4
Commonwealth Natl, Pa	26.2
New England Mutual, Ma	25.4
Midlantic National, NJ	25.3
First of Birmingham, Al	23.5
Ohio Citizens Trust	21.5
United Virginia Bank	20.9
Nationwide Life Ins, Oh	20.4
Manufacturers, Detroit, Mi	20.1

Under $10 million

	%
Central Fid, Richmond, Va	27.7
Bank of the West, Ca	26.7
Central Bank, Denver, Co	25.5
Union Natl, Wichita, Ks	23.9
Resource Trust Co, Mn	23.8
Southern Penn. Bank	23.1
Bank One Trust, Oh	22.8
American Fletcher, In	22.2
United of Denver, Co	21.4
Gary-Wheaton Bank, Il	19.8

10-year returns

Over $100 million

	%
Bankers Life, Ia	9.3
Equitable Life (No. 4)	8.2
Massachusetts Mutual	7.0
Mercantile at Dallas	6.7
Connecticut General	6.2
Natl City, Cleveland, Oh	6.0
InterFirst Invt Mgmt, Tx	5.7
Northwestern Natl, Mn	5.5
Equitable Life (No. 1)	5.5
Travelers, Ct	5.4

$50 million to $100 million

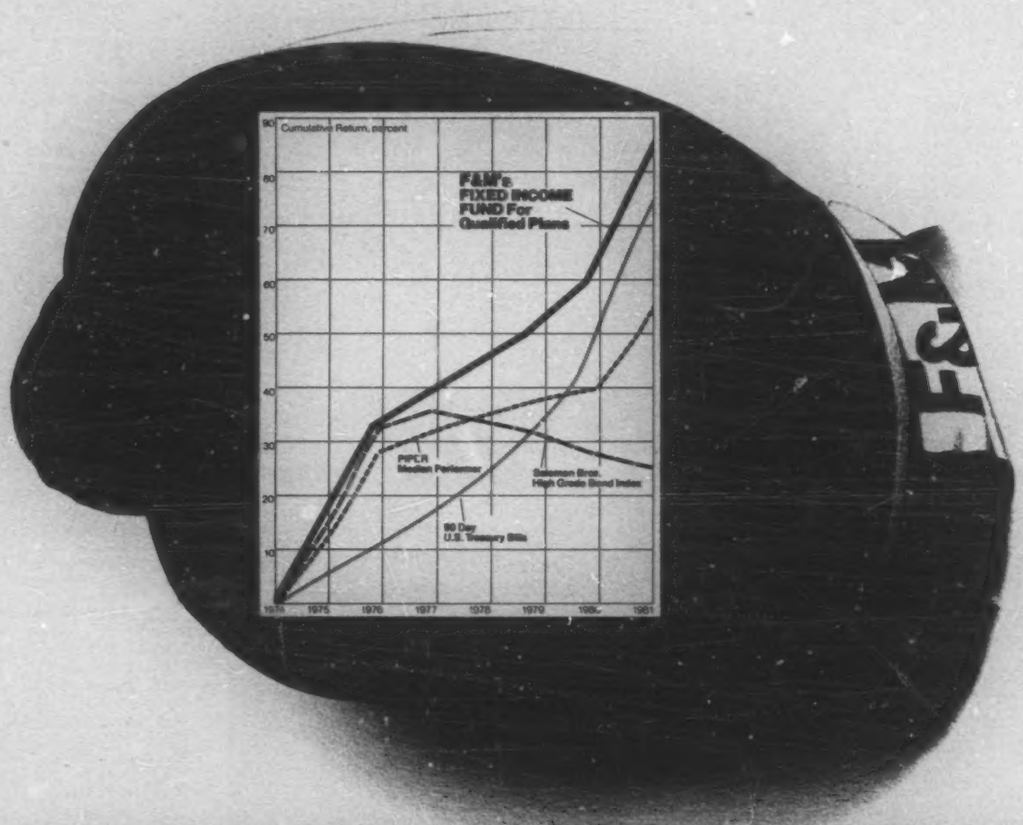
	%
Bessemer Trust, NY	11.7
US Natl of Oregon	9.7
Hibernia National, La	9.3
First Penn. Bank	7.3
Provident National, Pa	7.1
Life of Virginia	7.0
Philadelphia Natl, Pa	6.2
First of Denver, Co	5.9
Sentry Life, Wi	5.5
AmeriTrust, Oh	5.4

$10 million to $50 million

	%
Guardian Insurance, NY	13.0
Philadelphia Life, Pa	12.3
US Natl of Galveston, Tx	11.6
First Variable Life, Ar	11.6
First Wi. Natl, Madison	11.5
Home Life, NY	10.0
First Trust Corp, Co	9.9
First of Birmingham, Al	9.9
Landmark Union Trust, Fl	8.4
Crown Life, Ont	8.1

Under $10 million

	%
Capital Bank, Houston, Tx	11.0
Citizens Chillicothe, Mo	10.6
Confederation Life, Ont	9.9
Olympic Bank, Wa	8.2
First Natl of Commerce, La	7.5
Provident Mutual, Pa	7.1
First Tennessee, Chat	6.8
Old Second Natl, Aurora, Il	6.3
BancTexas, Dallas	6.2
Penn Mutual Life, Pa	6.2



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Top fixed-income funds by size

1-year returns

Over $100 million

	%
American Security, DC	45.0
Connecticut General	42.2
Citibank, NY	41.5
First of Chicago, Il	39.2
John Hancock	39.1
Texas Commerce	37.0
Natl City, Cleveland, Oh	36.3
Harris Trust, Il	36.2
Prudential, NJ	35.9
Natl Bank of Detroit, Mi	35.7

$50 million to $100 million

	%
Bank of New York	41.7
First of Denver, Co	41.0
Boatmen's National, Mo	38.0
Northwestern Natl, Mn	37.1
Northern Trust, Il	34.2
Detroit Bank & Trust, Mi	31.2
Fidelity Bank, Pa	24.1
First Penn. Bank	20.4

$10 million to $50 million

	%
Central Natl, Clev. Oh	45.9
First of Birmingham, Al	45.2
Commonwealth Natl, Pa	43.2
Hawaiian Trust	42.1
Philadelphia Natl, Pa	41.5
Colorado Natl Bank	40.2
Mercantile at Dallas, Tx	40.0
United of Denver, Co	39.5
First Wi. Natl, Madison	39.3
Citytrust, Ct	38.3

Under $10 million

	%
Commerce Union, Tn	47.7
Union Planters, Tn	46.4
Pacific Mutual, Ca	41.5
Wheeling Dollar Bank, WV	40.2
Birmingham Trust, Al	40.2
Crown Life, Ont	39.7
Bank of California	38.8
United Kentucky Bank	37.3
Minnesota Mutual	37.2
Confederation Life, Ont	37.1

10-year returns

Over $100 million

	%
US Trust, NY	9.0
Manufacturers Hanover, NY	8.6
Texas Commerce	8.2
Connecticut General	8.0
Morgan Guaranty, NY (Comp)	7.4
Citibank, NY	6.9
John Hancock	6.9
Natl Bank of Detroit, Mi	6.8
Harris Trust, Il	6.6
First of Chicago, Il	

$50 million to $100 million

	%
Fidelity Bank, Pa	8.8
First Penn. Bank	7.6
Detroit Bank & Trust, Mi	7.3
Northern Trust, Il	7.0
Northwestern Natl, Mn	6.2

$10 million to $50 million

	%
Hibernia National, La	9.3
Seattle 1st Natl, Wa	9.2
Fourth Natl, Wichita, Ks	9.1
Mercantile Trust, Mo	8.0
Mercantile Safe, Md	7.8
Massachusetts Mutual	7.5
American Fletcher (Int. Mat.)	7.4
Manufacturers Detroit, Mi	7.4
American Fletcher, In	7.4
American Natl, Chic, Il	7.3

Under $10 million

	%
Commerce Union, Tn	9.3
Puget Sound Natl, Wa	7.6
Oregon Bank	7.6
Union Planters, Tn	7.4
First Natl of Commerce, La	7.4
BancTexas, Dallas	7.2
Merchants Natl, In	7.1
Lincoln National, In	7.1
St. Louis County Bank, Mo	6.9
First Interstate of Az	

P.I.P.E.R.

Landmark Union Trust, Fl	8.4
Olympic Bank, Wa	8.2
Equitable Life (No. 4)	8.2
Crown Life, Ont	8.1
Moline National, Il	7.9
Liberty Natl, Ok	7.7
First Interstate of Wa	7.6
First of Oklahoma	7.6
Minnesota Mutual	7.6
Mich. Natl of Grand Rapids	7.5
First Natl of Commerce, La	7.5
Fifth Third Bank, Oh	7.5
Phoenix Mutual, Ct	7.3
First Penn. Bank	7.3
Nationwide Life Ins, Oh	7.2
Provident Mutual, Pa	7.1
Provident National, Pa	7.1
Colorado Natl Bank	7.1
Life of Virginia	7.0
Massachusetts Mutual	7.0
First Tennessee, Chat	6.8
Central Penn, Pa	6.8
Mercantile at Dallas, Tx	6.7
First of Fort Worth, Tx	6.6
Old Second Natl, Aurora, Il	6.3
Connecticut General	6.2
BancTexas, Dallas	6.2
Penn Mutual Life, Pa	6.2
United of Denver, Co	6.2
Philadelphia Natl, Pa	6.2
Rainier National, Wa	6.2
Union Central, Oh	6.0
Natl City, Cleveland, Oh	6.0
United Virginia Bank	6.0
Texas American Bank	6.0
Seattle First Natl, Wa	6.0
Standard & Poor's 500	5.7

Commingled fixed-income funds

3-month returns

	%
Salomon Brothers Index	21.5
Hawaiian Trust	20.6
First Wi. Natl, Madison	20.4
First of Birmingham, Al	20.3
Central Natl, Cleveland, Oh	19.8
Union Planters, Tn	19.5
Wheeling Dollar Bank, WV	19.3
Commonwealth Natl, Pa	19.3
Commerce Union, Tn	19.1
Centerre Trust, Mo	18.8
Allied Bank, Tx	18.6
Connecticut General	18.3
Citibank, NY	17.8
American Security, DC	17.7
Natl of Commerce, Ne	17.6
Bank of California	17.6
United of Denver, Co	17.6
American National, Mn	17.5
Wachovia, N.C.	17.4
Colorado Natl Bank	17.1
Pacific Mutual, Ca	16.9
Mercantile at Dallas, Tx	16.7
Landmark First Natl, Fl	16.6
Crown Life, Ont	16.6
Boatmen's National, Mo	16.4
First of Chicago, Il	16.1
Texas Commerce	16.1
John Hancock	16.1
First of Shreveport, La	16.1
Fleet Natl Bank, RI	15.9
Minnesota Mutual	15.7
Philadelphia Natl, Pa	15.7

Continued on next page

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P.I.P.E.R.

Continued from page 19

Confederation Life, Ont 15.3
Natl City, Cleveland, Oh 15.6
American Bank, Pa 15.5
First Tennessee, Memphis 15.5
First of Denver, Co 15.5
Bankers Trust A, NY 15.5
Northwestern Natl, Mn 15.4
Birmingham Trust, Al 15.4
Seattle 1st Natl, Wa 15.3
Mercantile Trust, Md 15.3
Bank of New York 15.3
Title Insurance, Ca 15.3
Equitable Life, NY 15.1
First Tennessee, Chat. 15.0
Travelers, Ct 15.0
Girard Bank, Pa 15.0
First of Allentown, Pa 14.9
Citytrust, Ct 14.9
Lincoln National, In 14.9
Security Pacific, Ca 14.9
Natl Bank of Detroit, Mi 14.8
Hartford National, Ct 14.7
US Natl of Oregon 14.7
Bank of Oklahoma 14.7
InterFirst Invt Mgmt, Tx 14.7
First of Boston (Int. Mat.) 14.6
Trust Co. of Georgia 14.6

1-year returns

	%
Commerce Union, Tn	47.7
Centerre Trust, Mo	47.3
Union Planters, Tn	46.4
Central Natl, Cleveland, Oh	45.9
Salomon Bros. Index	**45.5**
First of Birmingham, Al	45.2
American Security, DC	45.0
Commonwealth Natl, Pa	43.2
Connecticut General	42.2
Hawaiian Trust	42.1
Bank of New York	41.7
Citibank, NY	41.5
Pacific Mutual, Ca	41.5
Philadelphia Natl, Pa	41.5
First of Denver, Co	41.0
Colorado Natl Bank	40.2
Wheeling Dollar Bank, WV	40.2
Birmingham Trust, Al	40.2
Mercantile at Dallas, Tx	40.0
Crown Life, Ont	39.7
United of Denver, Co	39.5
First Wi. Natl, Madison	39.3
First of Chicago, Il	39.2
John Hancock	39.1
Bank of California	38.8
Cititrust, Ct	38.3
Landmark First Natl, Fl	38.1
Boatmen's Natl, Mo	38.0
Natl of Commerce, Ne	37.9
Seattle 1st Natl, Wa	37.8
Bank of Oklahoma	37.5
American National, Mn	37.5
United Kentucky Bank	37.3
Minnesota Mutual	37.2
Confederation Life, Ont	37.1
Northwestern Natl, Mn	37.1
Texas Commerce	37.0
Allied Bank, Tx	36.5
Fidelity Union, NJ	36.4
Natl City Cleveland, Oh	36.3
InterFirst Invt Mgmt, Tx	36.2
Harris Trust, Il	36.2
US Natl of Oregon	36.1
Marine Midland, NY	36.0
Prudential, NJ	35.9
Wilmington Trust, De	35.8
Natl Bank of Detroit, Mi	35.7
Title Insurance, Ca	35.5
Bank of Southwest, Tx	35.5
Citizens Fidelity, Ky	35.5
First Tennessee, Memphis	35.4
Fleet Natl Bank, Ri	35.2
Northern Trust, Il	34.9
Bessemer Trust, NY	34.9
Mercantile Trust, Mo	34.8
First Tennessee, Chat	34.8
Equitable Life, NY	34.6
First of Cincinnati, Oh	34.5
LBKL Gov't/Corp. Index	**33.6**

3-year returns

	%
Fourth Natl, Wichita, Ks	15.3
Seattle 1st Natl, Wa	14.7
Texas Commerce	14.0
Jefferson Trust, Il	13.8
Allied Bank, Tx	13.1
Commerce Union, Tn	12.8
Hibernia National, La	12.7
Manufacturers Hanover, NY	12.5
Boatmen's Natl, Mo	12.5
Fidelity Bank, Pa	12.4
First Valley Bank, Pa	12.3
First of KC, Mo	12.1
American Security, DC	12.0
Bank of New England, Ma	11.9
Trust Co of Florida	11.9
First Jersey Natl, NJ	11.8
Centerre Trust, Mo	11.7
Bankers Trust B, NY	11.7
First of Pa, Erie	11.6
Beverly Bank, Il	11.6
State Natl, Ct	11.5
Pacific Mutual, Ca	11.5
Pittsburgh Natl	11.4
Mercantile Trust, Mo	11.4
US Trust, NY	11.4
Union Planters, Tn	11.3
Riggs of Washington	11.2
Mid-State Bancorp, Pa	11.1
St. Louis County Bank, Mo	11.1
First Natl of Commerce, La	11.1
Oregon Bank	10.9
First of Elgin, Il	10.9
First Bank Milwaukee, Wi	10.7
Fifth Third Bank, Oh	10.7
First of Maryland	10.7
BancTexas, Dallas	10.7
Landmark Union Trust, Fl	10.6
Indiana National Bank	10.6
American National, Mn	10.6
Puget Sound Natl, Wa	10.5
American Natl, Chic, Il	10.5
Bessemer Trust, NY	10.5
Manufacturers Detroit, Mi	10.4
Mercantile Safe, Md	10.4
Merchants Natl, Pa	10.3
Central Trust, Oh	10.2
First Tennessee, Chat	10.2
Southern Penn. Bank	10.2
Merchants Natl, In	10.1
United Missouri, KC	10.1
North Carolina Natl Bank	10.0
Summit & Elizabeth, NJ	9.9
Seattle Trust, Wa	9.8
First Natl, Jackson, Ms	9.8
Toledo Trust, Oh	9.8
Greeley Natl, Co	9.8
Marine Trust, Wi	9.8
Crocker National, Ca	9.7
LBKL Gov't/Corp. Index	**9.1**
Salomon Bros. Index	**4.8**

5-year returns

	%
Fourth Natl, Wichita, Ks	11.8
Fidelity Bank, Pa	10.8
Texas Commerce	10.5
Seattle 1st Natl, Wa	10.4
Hibernia National, La	10.3
US Trust, NY	9.9
Jefferson Trust, Il	9.8
Boatmen's National, Mo	9.6
Commerce Union, Tx	9.4
Manufacturers Hanover, NY	9.4
Merchants Natl, Pa	9.2
First Jersey Natl, NJ	9.2
Pacific Mutual, Ca	9.2
Allied Bank, Tx	9.2
Trust Co of Florida	9.1
Bankers Trust B, NY	9.1
American Security, DC	9.1
Pittsburgh Natl	9.0
Bank of New England, Ma	8.9
Beverly Bank, Il	8.8
First of Elgin, Il	8.8
First Valley Bank, Pa	8.6
First of Pa, Erie	8.6
First Bank of Milwaukee, Wi	8.5
State Natl, Ct	8.5
Union Planters, Tn	8.4
Mercantile Trust, Mo	8.4
Oregon Bank	8.3
Manufacturers Detroit, Mi	8.3
First Natl of Commerce, La	8.2
First of Bartlesville, Ok	8.2
Bessemer Trust, NY	8.2
Indiana National Bank	8.1
Mercantile Safe, Md	8.1
St. Louis County Bank, Mo	8.1
Citizens Fidelity, Ky	8.1
First Natl Jackson, Ms	8.0
BancTexas, Dallas	8.0
Landmark Union Trust, Fl	8.0
Seattle Trust, Wa	8.0
Summit & Elizabeth, NJ	8.0
Centerre Trust, Mo	8.0
American National, Mn	8.0
First Wi Natl, Madison	7.9
First of Maryland	7.9
North Carolina Natl Bank	7.8
Puget Sound Natl, Wa	7.8
American Natl, Chic, Il	7.8
Ouachita Natl, La	7.8
Greeley Natl, Co	7.7
First Tennessee, Chat	7.7
Merchants Natl, In	7.7
LBKL Gov't/Corp. Index	**6.7**
Salomon Bros. Index	**3.4**

10-year returns

	%
Commerce Union, Tn	9.3
Hibernia National, La	9.3
Seattle 1st Natl, Wa	9.2
Fourth Natl, Wichita, Ks	9.1
US Trust, NY	9.0
Fidelity Bank, Pa	8.8
Manufacturers Hanover, NY	8.6

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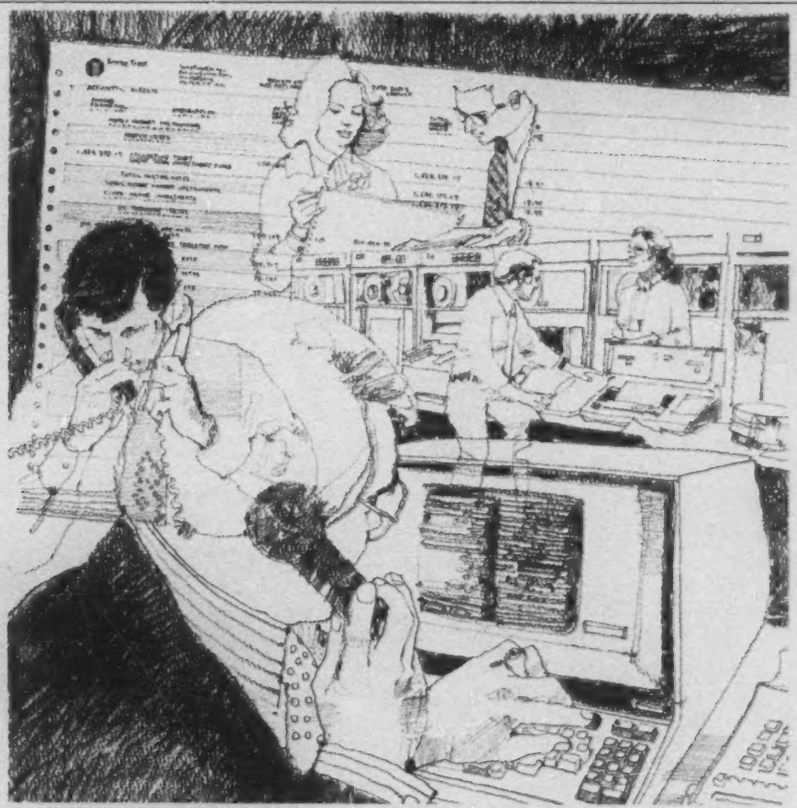
Report from
Number One Wall Street



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Consultant hits at low salaries, understaffing

By Steve Hemmerick

SACRAMENTO—The nation's two largest state retirement systems, the California State Employees Retirement System and the California State Teachers' Retirement System, could be losing millions of dollars in potential return on investments partly because they are understaffed and their staff members are relatively underpaid, a consultant has said.

Marcy Avrin, an economist and consultant to the California legislature's joint committee on pension fund investment, told committee members that "a major under-allocation of resources to the investment function" exists for the assets of the two systems.

The California Public Employees' Retirement System (PERS) and State Teachers' Retirement System (STRS) together hold about $21 billion in assets at market value.

"Given the complexity of financial markets and the volatility of the economy, the minimal allocation of resources to the investment function could be costing the system millions of dollars annually in potential investment return," Ms. Avrin told committee members.

She recommended that additional money be provided for staff and services, and predicted that the additions would likely increase the return on the portfolio. She said an additional 0.5% return on the portfolio would bring an additional $135 million.

Currently, although the systems will be split up next year, assets for the two funds are invested together by the PERS investment staff. According to Ms. Avrin's study, about 0.009% of the combined portfolios is used for investment management.

One survey, though not entirely comparable, she said, found that 49% of systems surveyed paid 0.25% of their assets for investment management, and another 27% surveyed used 0.50%.

Last year, she said, the PERS staff of 14 professionals made purchases and commitments of $4.26 billion or $17 million per working day. She said the total portfolios represent about 3.6% of all pension money in the United States and 0.5% of all credit markets.

The systems, Ms. Avrin said, are large enough to buy 1% of all the equity in world markets.

Yet while the total administrative budget for the PERS system grew 269% from fiscal 1972 to 1980, the investment budget grew by only 87%. And she said that while PERS-budgeted staff positions increased 82% in those years, the investment staff increased only by 15%, even though its portfolio increased by 174%.

In addition, salaries for staff members fell behind inflation. While the chief of investments for the PERS makes only slightly more than $50,000 per year, Ms. Avrin estimated that a person in the private sector managing the same amount of money would earn between $200,000 and $300,000 per year. However, she noted that no person in the private sector manages the $27 billion (book value) that the PERS chief of investments oversees.

"The under-allocation of resources to investment staff and salaries is even more critical given the fact that little outside advice is formally obtained. Less than $250,000 was paid to one investment consultant in fiscal 1980-81," Ms. Avrin told the committee.

And she said the inhouse staff is so small that little time is available to assimilate the information and use it to determine investment strategy.

"The board of trustees, which could potentially provide this experise, has little professional investment experience. They also have minimal time to devote to their PERS responsibilities," she said.

She said in the last few years investment decisions have become even more complicated.

"Volatile markets with high interest rates have led to the proliferation of new products such as zero coupon bonds, extendable notes, adjustable rate preferred stock and bonds with warrants. This situation complicates the investment decisions considerably," she said.

"Market volatility has increased in the fixed-income area, making analysis more difficult, demanding and intensive. The bond area has expanded to include variable rate bonds, and bonds backed by tangible assets. More companies have been issuing convertible preferred stocks, a hybrid security with a unique characteristic that makes it complex," Ms. Avrin added.

Such investments as commercial real estate, she said, require detailed analysis, and investment in such things as interest rate futures demand more time to make informed decisions.

But, she said, "The three staff members added to the investment office (of PERS) in the last 10 years are inadequate to assimilate all of these changes, and to manage a portfolio that has increased 174%."

"The cost of doubling the budget of the investment office would be covered by an increased portfolio yield of 0.009%. PERS and STRS barely calculate yield to this degree of accuracy," said Ms. Avrin.

"If, on the other hand, the investment office budget were doubled without resulting in an increased return, the loss would be only 0.2% of the total annual state contribution to PERS and STRS or $2 million out of $885 million," she said. ■

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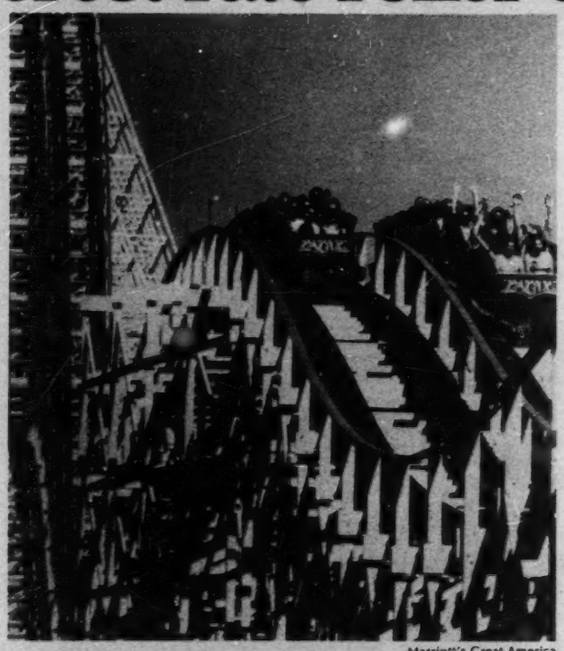

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P.I.P.E.R.

Continued from page 20

Centerre Trust, Mo	8.4
Bankers Trust B, NY	8.4
Texas Commerce	8.2
Connecticut General	8.0
Mercantile Trust, Mo	8.0
Mercantile Safe, Md	7.8
First of Bartlesville, Ok	7.6
Puget Sound Natl, Wa	7.6
First Penn Bank	7.6
Oregon Bank	7.6
Massachusetts Mutual	7.5
Union Planters, Tn	7.4
American Fletcher (Int. Mat.)	7.4
Manufacturers Detroit, Mi	7.4
First Natl of Commerce, La	7.4
American Fletcher, In	7.4
Morgan Guaranty, NY (Comp)	7.4
American Natl, Chic, Il	7.3
Crocker National, Ca	7.3
Detroit Bank & Trust, Mi	7.3
First Wi Natl, Madison	7.3
Landmark Union Trust, Fl	7.3
North Carolina Natl Bank	7.3
United Missouri, KC	7.3
Citizens Fidelity, Ky	7.2
BancTexas, Dallas	7.2
Summit & Elizabeth, NJ	7.2
Merchants Natl, In	7.1
First Union Bank, NC	7.1
Lincoln National, In	7.1
Northern Trust, Il	7.0
First Wisc Trust (Int. Mat.)	7.0
Salomon Bros. Index	6.3

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Fund finds silver lining . . .

Continued from page 2

"When we first started, our historical studies had shown that silver traditionally trades at about a 34-to-one ratio to gold, and at that time silver was trading at about 45 to one. It went as high as 60 to one, and each time that the spread widened, we bought more silver," he said.

At other times, however, he was less sanguine about one or both metals, and at times held no gold at all, putting the cash in short-term investments.

He said that the reason the city fund got into the metal program was because it wanted to diversify furtner its assets, and it wanted to invest in something that would outpace inflation.

"Silver showed a 10-year rate of return of slightly over 19%, and gold was a little bit higher. We were looking for a rate of return that was twice the rate of inflation —something that had demonstrated itself over a very tough period of time that it could outpace the rate of inflation, and silver and gold both did that," he said.

Though the program has always been run inhouse, the city fund had considered using outside investment houses for gold and silver. But Mr. Friery noted that having someone else take over the program would give him no more comfort, and, he said, he realized that even if he did have someone on the outside handle the program, he would still have to become knowledgeable about the subject just to keep tabs on the outside investor.

The final decision to handle the program inhouse came when he couldn't find an adviser to handle it. He said there were newsletters giving out advice, but that wasn't what he needed.

He said that consequently he and his assistant, Phil Barach, have spent hundreds of hours studying gold and silver, specifically how they act in the marketplace. Until recent times, he said, it would have been hard for institutional investors to invest in gold or silver because of a lack of a track record on the metals. But now, he said, 10-year studies have been published on the metals.

Even so, he said, he and the city board of investments only wanted to put a "toe in the water" in investing in the metal, which was the reason for limiting investments to 1% of assets.

At this point, he said, he is operating under something called the "hog theory," which he explains means: "When you are making 70% on your money, there is nothing wrong with taking a profit and reassessing what is going to happen." Though he has not liquidated completely, he had sold much of the fund's hard assets by early November.

The fund does not actually handle gold and silver itself, but rather buys unallocated bullion certificates, where a book entry notice holding the metal for the fund account is made at a London depository.

Photo: Mary Harlahy

Silver: Sacramento does not actually handle silver itself, but instead buys unallocated bullion certificates. Photo courtesy of Deak-Perrera

Mr. Friery said his fund won't trade with just any dealer, and he has done extensive background checks on the ones he does deal with. He declined to name them.

Though he has authority to use the gold and silver futures market, he has not done so extensively. However, if he feels a degree of uncertainty about his holdings, he can, he said, use forward sales contracts to reduce the fund's position.

He said that his knowledge of gold and silver has helped him, to some extent, watch other markets. As many people know, the price of gold appears to have a relationship to world events, and not unexpected, said Mr. Friery, the price of gold did climb during the Falklands crisis.

He said, however, that silver acts more like a commodity, and by early November, silver appeared to be anticipating an economic recovery. As for the future of the metals, Mr. Friery has stepped out on a limb and predicted that the value of gold and silver will go up, and will go down.

The fund has 60% of assets in fixed-income securities, and 40% in equity, including the metals. The equity assets are handled by three outside equity managers. Fixed-income assets are handled inhouse. The fund also has an options program, and holds some real estate. ■

Equity funds . . .

Continued from page 1

18.3%, Citizens Bank, Chillicothe, Mo., was third with 18.2%, New England Mutual, Ma., was fourth with 17.7%, and Security Pacific, Ca., was fifth with 17.1%.

For the latest 12 months the best return was 32.7% by the First National Bank of Oklahoma, while for three years the best return was a compound annual return of 22.9% by the Citizens Bank of Chillicothe.

For five years the best return was a compound annual 23.4% by Philadelphia Life, with Citizens of Chillicothe second at 23.3%.

Guardian Insurance had the best 10-year compound annual return at 13.0%, followed by Philadelphia Life at 12.3%.

At Bank One Trust Co., Columbus, Oh., Michael B. Steele. vp and chief investment officer, attributed the good third quarter return to a decision to move from a heavy cash position late last year to a heavily invested position in mid-August. He also attributed the bank's performance to selecting those stocks that performed well during the period it was invested in the market.

At the end of last year the fund was almost 75% in cash; in the spring there was a decision to gradually start moving assets into the stock market.

Going into the third quarter, the fund had 75% of its assets in the stock market, and continued increasing that until it was 90% invested by the end of August.

Its stock selections emphasized second- and third-tier growth companies, primarily in the computer, electronics, building and defense sectors, according to Mr. Steele.

Ohio Citizens Trust ranked second, and felt it could have done better if it had not started to move so quickly out of the stock market in late August in anticipation of a correction.

The bank started the year with 10% in cash. After the market took off it moved in late September to a 30% cash position.

The strategy was to lock in the profits by selling off stocks after the market took off. "We felt this was the first phase of a bull market and there would be a correction," according to Dennis Zuchowski, assistant vp. The bank is still waiting for that correction to get back in the market.

Citizens Bank & Trust Co, Chillicothe, Mo., ranked third on the list with returns of 18.3% for the three months. Edgerton Welch, chairman of the board and chief investment officer, attributed the ranking to a policy of being fully invested at all times, and being invested in the right stocks.

"We don't think we are smart enough to play the market, so we keep fully invested. In the long run it pays off," he said.

Those sectors that the fund invested heavily in included the medical service sector, hospital management, grocery chains and brokerage firms.

For the year ending Sept. 30, First of Oklahoma ranked first with returns of 32.7%. It ranked seventh for the quarter.

Thomas E. Johnson, senior vp and economist, thinks that good market timing and the right stock selections account for those returns.

The fund was roughly 40% in cash three days before the market turned upward. When it did take off, however, the bank was fully invested, he explained. The fund was heavily weighted in Dow Jones growth stocks.

Security Pacific National Bank ranked second for the 12 months with returns of 28.4%, but dropped to fifth on the quarterly rankings with a return of 17.1%. Like Citizens of Chillicothe, the bank follows a philosophy of being fully invested.

One sector that its portfolios were strongly invested in was financial stocks such as Financial Corp. of America, Federal National Mortgage Association and A.B. Fortia.

The fund also had very little in the energy sector and little in manufacturing and processing, Mr. Heebner pointed out.

Others that ranked high in the one-year rankings included New England Mutual, with a return of 25.4% and American Fletcher, Indianapolis, with a return of 22.2%.

Fixed-income fund results . . .

Continued from page 1

ment/Corporate index came in with a 13.5% return and the Salomon Brothers High-Grade Corporate Bond index chalked up a 21.5% return. The Salomon figure is higher than any of the 223 fixed-income funds tracked for the P.I.P.E.R. survey.

The Salomon Brothers index is comprised entirely of double- and triple-A rated, high-grade corporate bonds with an average maturity of 20 years or more. And, not surprisingly, the banks which really made a killing in terms of return in the third quarter, as well as during the 12-month time frame, were also invested in long-term high grade corporates or government agencies. Interestingly, the top five performing fixed-income funds for the third quarter got to where they are by sticking their necks out as early as two years ago and going almost 100% into either long corporates or long governments and agencies. Some used low coupon bonds bought at substantial discounts.

And, while their numbers look good for the third quarter and the 12-month periods, most of these same banks took a drubbing in late 1980 and in 1981, having committed to long bonds too soon.

First Wisconsin National Bank of Madison, the second highest performer for the third quarter with a return of 20.4%, had been fully invested in long-term corporate discount bonds since February of this year, said John Thompson, vp and manager of the bank's investment management division.

This strategy was used, Thompson said, because in 1975 and 1970, periods when interest rates declined, long-term discount corporates had the largest returns.

At the end of 1976, when interest rates were in a trough, First Wisconsin sold all bonds in its portfolio which were longer than two- to three-years to maturity and did not purchase any more bonds until 1980, he said.

Then, First Wisconsin started buying bonds again in the fall of 1980. And, while it missed the top in August/September of that year, and as a result did not have a good year in 1981, the bank started doing better as interest rates on long-term securities peaked-out in September 1981.

At present, First Wisconsin has sold 40% of the long bonds in its portfolio and has purchased intermediate corporates instead, he said. This tactic was initiated to reduce volatility in addition to reducing the risk exposure due to the huge price appreciation in the portfolio.

The top performer for the one-year period ending Sept. 30 was Commerce Union Bank, with a return of 47.7%; for the 10-year period ending Sept. 30 the fund had a compound annual return of 9.3%. The bank says it owes its success to "divorcing investment decisions from the emotions of the marketplace," said Weaver Barksdale, senior vp and director of fixed-income strategy.

Commerce Union's numbers have been consistent, with returns of 19.1% for the third quarter putting it in the number eight spot, a three-year compound annual return figure of 12.8% putting it in the number six spot, and a 9.4% compound annual return for the five-year period garnering tenth place.

Commerce Union uses a proprietary economic analysis system which is called business cycle dynamics, Mr. Barksdale said. This system is basically a top-down approach to looking at the bond market and enables the bank to do active bond management by adjusting maturity structures based on interest rate forecasts.

Since the third quarter of last year, Commerce Union's portfolio has consisted of 70% long-term Treasuries and 30% zero-coupon issues, including stripped Treasuries, he said.

The average maturity of the portfolio has been 30 years since that time. ■

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Money movers

Philadelphia commits to home mortgages

PHILADELPHIA—The board of pensions for the $847 million Philadelphia Municipal Pension Fund is planning to invest $20 million in its second residential mortgage program.

The target would be 30-year conventional mortgages on one- to four-family dwellings in Philadelphia with minimum down payments of 10% and a 3% limit on points charged at settlement.

Twelve local banks and savings and loans would bid for the mortgage money and distribute it to home buyers citywide, said a board member. The borrower's rate is pegged to the 30-year Ginnie Mae certificate.

In mid-November, the borrower would have paid 13.25% and the pension fund would have earned about 12.5%.

The spread covers fees for banks, central servicer and administration.

Mortgage rates at Philadelphia banks were slightly more than 13% in mid-November, so consumer demand may not be as high as July 1981, the first time the pension fund put $20 million into local mortgages and made 14¾% mortgage loans when most banks were charging more than 16%. Still, the new money is expected to go in 30 to 45 days. Contenders for central servicer are Salomon Brothers, First Boston Corp., Mortgage Guaranty Insurance Corp. (MGIC) and First Federal Savings & Loan of Philadelphia.

The Federal National Mortgage Association (Fannie Mae) will act as trustee, providing liquidity: if the pension fund wants, it could resell the securities in the mortgage secondary market, said the board member. The city reaps $600,000 in transfer taxes and settlement charges.

Maine taps for stocks; picks Forstmann-Leff

AUGUSTA, ME.—The $450 million Maine State Retirement System appointed Forstmann-Leff Associates, New York, to serve as an aggressive equity manager for $20 million, according to Roberta Weil, executive director.

Times Mirror selects a new master trustee

LOS ANGELES, CA.—The Times Mirror Company has selected Citibank as its master trustee, according to a company spokesman.

Citibank will be master trustee for about 20 of the Times Mirror's pension funds, which contain assets of $185 million. Times Mirror decided to go the master trustee route to ease administrative complexities, said the spokesman.

Duke University fund adds 3 for balanced

DURHAM, N.C.—Duke University's $149 million endowment fund appointed Forstmann-Leff Associates, New York, NSR Asset Management, New York, and Funds Advisory Co., Houston, as balanced managers on Nov. 5, according to Stephen C. Harward, treasurer. The amounts to be allocated to each manager have not been decided yet. Mr. Harward said he will work them up to equal distribution as they are funded with new monies each quarter. Funds Advisory will be asked to concentrate on Sun Belt stocks.

Air Products adds 2 for bonds, equities

ALLENTOWN, PA.—Air Products & Chemicals Inc., with approximately $120 million in pension assets, has named Kingsley, Jennison, McNulty & Morse Inc. as an equity manager, and Wentworth, Hauser and Violich Inc. as a bond manager.

The San Francisco firms each received about $30 million.

Kingsley, Jennison, McNulty & Morse replaces David L. Babson & Co. Inc., Boston. Wentworth, Hauser and Violich received its money from The Boston Co. Institutional Investors, which continues as bond manager of about $30 million.

Retirement Research taps two for balanced

PARK RIDGE, IL.—The Retirement Research Foundation has chosen The Chicago Corp. and Lehman Management Co. Inc. to share equally in the balanced management of the $60 million foundation, according to Thomas Rogers, vp and treasurer. A.G. Becker Inc. was consultant in the manager search.

The foundation, recently acquired the $60 million through the sale of its sole asset: the Citizens Bank & Trust, Park Ridge, Mr. Rogers explained.

Federal Express adds 2 to handle equities

MEMPHIS, TN.—Federal Express has given $5 million to Fred Alger Asset Management, New York, and $4 million to Siebel Capital Management, Larkspur, Ca., to begin investing aggressively in equities for the $21 million pension fund in December, according to Vicki G. Hawkins, manager-finance. The $9 million the managers received was the 1981 fiscal contribution.

The company also put a $3 million contribution to its $28 million profit-sharing plan into a GIC with Lincoln National Life Insurance Co., Fort Wayne, In., locking in a 12.52% rate.

Meidinger Asset Planning Services, Atlanta, assisted Federal Express in both searches.

Binney & Smith adds Dreyfus Management

EASTON, PA.—Binney & Smith Inc. hired Dreyfus Management Inc., New York, to serve as a balanced manager for its $17 million pension fund, according to Charles Montgomery, secretary. The former manager, Shawmut Bank of Boston, continues to serve as trustee and custodian.

The bank managed the assets for seven years.

Butcher & Singer's Fiduciary Consulting Group aided in the search.

2 managers allocated Longview Fibre funds

LONGVIEW, WA.—Longview Fibre Co. has sliced in half the amount of its $31 million in assets managed by Bankers Trust, giving the money to two new managers in a bid for diversification and variety of style.

Raymond McDermott, vp-finance, secretary and treasurer, said IntraWest Bank of Denver (formerly First National Bank of Denver), and Rolley Nichols & Co. (a division of RNC Capital Management of Los Angeles), were given about $15.5 million each for equity accounts. Bankers Trust, the previous sole manager, still will manage half the assets in a balanced account, Mr. McDermott said.

Western Co. hires for thrift, pension plans

FORT WORTH, TX.—The Western Co. of North America's savings and thrift plan, and its TRASOP named a new master trustee; in addition, the company's pension fund has two new equity managers, said George Neill and Bob Boyd, both vps at the Western Co.

Managers added to the $12 million pension fund were Herbert R. Smith of Wichita Falls, Texas, and Massachusetts Financial Services, Boston, Ma. Each was given $3 million, $4 million of which came from the termination of Julian A. Lerner & Associates, Dallas. The remainder was fixed-income assets held by First National Bank of Fort Worth. RepublicBank Dallas replaced First National Bank of Fort Worth as master trustee for the TRASOP and savings and thrift plan, which total about $17 million. First National Fort Worth remains master trustee and money manager for the pension fund.

Baylor University adds 2 managers for funds

DALLAS—InterFirst Investment Management Inc. has been named investment manager, and RepublicBank Dallas, master trustee, for the retirement and survivors and disability plans at Baylor University Medical Center, a Baylor official confirmed. The plans' assets reportedly total about $10 million. The Baylor official declined to discuss details.

Harris Bretall added for profit-sharing plan

SAN FRANCISCO—American Building Maintenance Industries hired Harris, Bretall & McEldowney Inc., San Francisco, to serve as a balanced manager for its $5 million profit-sharing fund, according to a spokesperson. The fund was previously managed by Transamerica Investment Services Inc., Los Angeles. Bank of America serves as trustee.

First Union Bank hired by Rex Hospital Inc.

RALEIGH, N.C.—Rex Hospital Inc. moved a $4 million defined benefit plan to First Union Bank, Charlotte, N.C., to serve as balanced manager and trustee, according to sources. The assets were previously invested by First-Citizens Bank & Trust Company, Raleigh, N.C.

The hospital declined comment.

Motor Dealers choose first manager for fund

KANSAS CITY MO.—Research Management Associates in Kansas City, Mo., has become the first investment manager for the $4 million Motor Car Dealers Association of Greater Kansas City. Custodian is United Missouri Bank of Kansas City. Research Management will put all of the assets in a balanced account.

RepublicBank Dallas named master trustee

DALLAS—RepublicBank Dallas has been named master trustee and investment manager for the $2.5 million savings and thrift plan at Slaughter Brothers here, replacing Lakewood Bank & Trust in both capacities.

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PI

Inhouse pension funds . . .

Continued from page 2

vested solely in the stock of the companies with which the sponsor of the foundation was affiliated.

The General Electric Foundation, for example, which invests all of its $9 million in assets in GE stock, had a nine-month return of 35.4%.

Ironically, General Electric's $2.9 billion pension fund was down 0.2% for that period.

The second best performance, 32.9%, was achieved by the William and Flora Hewlett Foundation, which has all of its $258 million in Hewlett Packard stock.

The third best performance was from a $65 million portfolio of six stocks reported by Sears, Roebuck & Co., which was up 29%. The six stocks were DeSoto Inc., Roper Corp., Armstrong Rubber, Kellwood Co., Universat Rundle and Penn Central.

Following the Sears portfolio was the Gannett Foundation, which invested its $196 million solely in Gannett stock and gained 27.9% through the end of September.

The top endowment fund in the list was the $335 million Duke Endowment, which was up 10.1% for the nine months, and it was followed by the $2.339 billion University of California, up 9.2%, and the $108 million University of Pennsylvania endowment, up 3.8%.

The top pension fund was the $1.5 billion Ohio State Teachers fund, which was up 7.8% for the nine months, followed by the Texas Teachers fund, up 7.8%, the Wisconsin Investment Board, up 6.5%, the Ohio School Employees fund, up 5.7%, and the $3.4 billion California Public Employees equity fund, up 5.7%

The best corporate pension funds were the Gulf & Western Industries fund, up 4.7%, the Firestone pension fund, up 3.9%, and the Atlantic Richfield pension fund, up 3.8%.

Only one other pension fund, the Maryland State Retirement System, beat the Standard & Poor's index return of 2.8% over the nine months.

Large funds that underperformed the index for the period included the $162 million portfolio of GTE Investment Management Corp., which was up 1.6%, the $765 million AT&T index fund, which was up 1.5%, the $450 million Union Carbide Corp. fund, up 1.3%, and the $2.7 billion New York State Teachers fund, up 1.2%.

The $1.1 billion Bethlehem Steel pension trust's equity holdings were up 0.9%, while the General Electric pension funds' $2.9 billion equity portfolio was down 0.2%, Exxon's $1.2 billion fund was down 0.6%, and DuPont's $2.2 billion fund was down 1.7%.

The $767 million Harvard College endowment equity portfolio was down 4% for the nine months while the $158 million Cornell University endowment portfolio was down 9.5% and the University of Rochester's $226 million portfolio was down 16.6%.

The investment performance of each fund was calculated at the end of each quarter based on the holdings at the beginning of the quarter.

It does not allow for the impact of any transactions during the quarter.

It also is based solely on the equity holdings, and does not reflect the earnings from any short-term investments held.

According to Robert Levy, president of CDA, experience has shown that transactions within a quarter generally have minimal impact on the performance of a fund during that quarter. ■